HOUSING MARKET OUTLOOK

Canada

Canada Mortgage and Housing Corporation

www.cmhc.ca

Housing starts will remain strong

Date Released: Fourth Quarter 2006

Overview

Housing starts:

2006: 227,900

2007: 210,900

Resales:

2006: 481,400

2007: 460,100

Housing starts: Starts will be strong this year coming in at 227,900 units representing their second highest level since 1988. Despite edging lower in 2007, housing starts will remain above the 200,000 unit level for a sixth consecutive year.

Resales: Sales of existing homes will register their second best year on record with 481,400 units in 2006. Sales of existing homes will move lower next year to 460,100 as rising mortgage carrying costs reduce homebuying activity.

Resale prices: Prices for existing homes will rise 11.5 per cent in 2006, their strongest growth since 1989 when they were up 17.9 per cent. In 2007, price growth will moderate to 5.7 per cent.

Provincial SPOTLIGHT

Manitoba: Housing starts in Manitoba are on track for their sixth consecutive gain in 2006, marking the longest period of growth in new home construction on record. Morevoer, it is the only province in which starts will continue to grow until 2010. (Details on Page 12)

Alberta: A booming economy and strong migration inflows will result in a 21 per cent increase in housing starts and a 29.4 per cent increase in the average resale price in 2006. However, existing home sales are beginning to slow and both starts and resales will be down in 2007, by 6.9 and 5.2 per cent, respectively. (Details on Page 10)

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Canada

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HOME TO CANADIANS

National Housing Outlook

In Detail

Housing starts in Canada are on track to exceed last year's level, increasing 1.1 per cent this year to 227,900 units, their second highest level since 1988. Residential construction will slow in 2007 with national housing starts easing 7.5 per cent to 210,900 units. Despite the decline forecast for next year, housing starts will continue to remain strong by historical standards, exceeding the 200,000 unit threshold for the sixth consecutive year.

High employment levels and rising incomes will continue to provide a solid foundation for strong housing markets. Nonetheless, several factors will cause construction activity to ease in the latter part of this year and next. Much of the pent-up demand that built up during the 1990s has now been fulfilled and residential construction activity will gradually move in line with demographic fundamentals. Higher mortgage carrying costs due to continued price growth will also temper housing demand. Potential first-time buyer demand will fall as a result of these rising mortgage carrying costs, particularly as the gap between the cost of homeownership and renting widens. Lastly, the existing home market is expected to move toward more balanced conditions over the next couple of years. With fewer buyers and a larger inventory of existing homes for sale, there will be less spillover of buyers from the existing home market into the new home market.

This decrease in spillover demand is already being felt in Ontario and Quebec. As a result, the demand for new homes has slowed in both these provinces and the rate of housing starts in the first half of this year was down compared to last year's pace.

In the West, both Alberta and B.C. have recorded exceptionally strong job growth and continue to attract workers from other parts of the country. The resulting strong demand for housing has pushed housing starts up significantly in 2006, but in 2007, starts will begin to decline in these provinces as well.

Single detached starts pause in 2006 before trending down again in 2007

The move down from peak construction activity for single-detached houses that began in 2005 was interrupted in 2006 by the need to house the workers attracted by the booming western Canadian economy. At 123,000, single-detached starts are up 2.1 per cent from the 2005 level. In 2007, they will fall 10.0 per cent to 110,700 units.

Starts of single-detached homes will decrease in central and eastern Canada in 2006, but show strong increases in the west. Single starts will be down in Newfoundland (-7.0 per cent), PEI (-21.1), Quebec (-10.3 per cent), New Brunswick (-3.4 per cent), and Ontario (-7.1 per cent). The declines will be steeper in 2007, particularly in Ontario where single-detached starts will fall another 15.4 per cent. Single starts will increase by 23.7 per cent in Alberta and 14.4 per cent in British Columbia in 2006 and decline 7.6 and 7.0 per cent respectively in 2007.

Multi-family home starts flat in 2006

As mortgage carrying costs move higher, homebuyers tend to demand more multi-family homes, which are less expensive. In 2006, multi-family housing starts (semi-detached, row, apartment units) will be flat at about 104,900 units, a level not seen since 1987, for the third year in a row. Multiple starts will remain robust in 2007, but will decline by 4.6 per cent to 100,200 units.

Apartment starts, which have risen to over two-thirds of total multi-family starts, will increase 3.0 per cent in 2006 but decline 3.2 per cent in 2007. The increase in apartment starts in 2006 will be offset by declines of 1.3 per cent and 9.2 per cent for semi-detached and row houses, respectively. Starts of rowhouses will decline another 5.5 per cent in 2007 while starts of semi-detached houses will decrease 9.8 per cent to 12,000 units.

MLS® sales to duplicate 2005 level in 2006

Existing home sales, as measured by the Multiple Listing service (MLS®), will be virtually the same as last year's record level. Four and a half years of strong growth in house prices are being reflected in higher mortgage carrying costs, which will dampen demand for existing homes in the latter part of this year and next. MLS® sales will come in at 481,400 units in 2006 and then decrease 4.3 per cent to 460,100 units in 2007. The existing home market is moving towards balanced conditions as higher prices draw out more listings, giving potential home buyers more choice.

Sales in British Colombia and Ontario, where about 60 per cent of sales occur, will be down by 6.1 and 1.6 per cent respectively in 2006. The strongest growth will occur in the Prairies, where MLS® sales will be up in Alberta, Saskatchewan, and Manitoba by 10.1 per cent, 5.9 per cent and 1.5 per cent, respectively.

MLS® price growth cut in half in 2007

Strong price growth in the western provinces will cause the average MLS® price for all of Canada to increase by 11.5 per cent in 2006, the highest increase since 1989 when prices were up 17.9 per cent. In 2007, higher listings and lower MLS® sales will move the resale market toward more balanced conditions and growth in average MLS® prices will slow to 5.7 per cent.

Trends Impacting Housing

The Economy

Growth in Canada's real gross domestic product (GDP) slowed sharply to an annualized rate of 2.0 per cent in the second quarter of 2006. The slow-down was entirely due to deterioration in the foreign trade sector since consumer spending and business investment remained strong. With interest rates and energy prices easing, the weakness is not expected to continue and in 2006, GDP growth will remain close to the 2.9 per cent recorded in 2005 before easing slightly to 2.7 per cent in 2007.

High employment, easing energy prices and low interest rates will continue to support consumer spending, will will be one of the main factors underpinning economic growth in 2007. Business investment in non-residential construction and machinery and equipment will continue to be strong as well. Strength in these areas will help to pick up any of the slack created by lower housing starts and soft net exports. With energy prices easing and the Canadian dollar no longer appreciating, the manufacturing sector is likely to become less of a drag on economic growth.

Despite the slowdown in the second quarter, the Canadian economy is operating at full capacity. Rising wages and salaries pose some inflationary risks, but so far core inflation remains near the Bank of Canada's target of 2 per cent.

Mortgage Rates

With the US economy beginning to slow, interest rates on longer term US treasuries have moved lower. With only moderate inflation and a Canadian dollar that is no longer appreciating vis-à-vis the U.S. dollar, the decreases in longer term interest rates in the US are being mirrored here in Canada.

After increasing 50-80 basis points in the first half, posted mortgage rates are down about 20 basis points from their mid-year peak. One-year posted mortgage rates are forecast to be in the 5.75-6.75 range while three and five-year posted rates will be in the 6.00-7.00 per cent range in 2006-07.

Most decreases will occur among medium and long-term rates. Consequently, the spread between posted variable and fixed mortgage rates will narrow over the next six months, before increasing towards the end of 2007.

Migration

Immigration into Canada will be near the upper end of the 225,000 to 255,000 target range for new permanent residents per year in 2006 and 2007. Net migration (immigration minus emigration) is expected to decline to about 212,000 people in 2006 and increase about 4.1 per cent to 220,000 net migrants in 2007. The ongoing high level of net migration will add to housing demand with the majority of newly arrived immigrants initially settling in rental accommodations. An increasing share of migrants will move into home ownership as time passes.

Net international migration is up significantly in some of the smaller provinces like Manitoba and New Brunswick, but down overall because fewer people are coming to the traditional destinations of Ontario and British Columbia. Quebec and Alberta are holding their own in attracting new residents from other countries. The movement of workers from most provinces to Alberta is beginning to move down from the unprecedented levels reached in 2005 and early 2006, but net-interprovincial migration to Alberta, and to a lesser extent toward B.C., will continue to boost demand for both rental and ownership housing in these provinces in 2006 and 2007.

Employment and Income

Employment growth began to ease in the third quarter, resulting in an uptick in the seasonally adjusted unemployment rate. However, it remained among the lowest recorded since the early 1970s, while the employment to population ratio at 63 per cent also remained close to previous peaks. With a record share of Canadians employed, future job growth is constrained by growth in population.

Employment growth will slow to 1.6 per cent in 2007. In manufacturing industries, employment levels are expected to begin to stabilize after having declined in recent years. Job creation in construction will likely fall below average, after having led other industries for several years. However, service providers will still tend to generate more jobs than goods-producing industries in both 2006 and 2007. The unemployment rate is expected to be about 6.4 per cent in both years.

Tight labour market conditions have led to strong growth in average weekly earnings, particularly in western Canada. Income and employment growth will ensure the expected decline in demand for new and existing housing next year will be modest.

Trends at a Glance

Key factors and their Effects on Residential Construction

Factor	Comment
Mortgage Rates	Mortgage rates have moved slightly lower and will remain near current levels for the rest of 2006 and into 2007. They are expected to edge higher in the second half of 2007. Mortgage carrying costs will nevertheless be increasing due to rising house prices. This will slow home ownership demand, particularly for first-time buyers.
Employment	With a record high employment-to-population ratio, the economy is operating at full-employment. Employment growth will slow, however, tight labour market conditions will be a key factor underpinning demand for housing in 2007.
Income	A tight labour market will continue to support strong income growth. Rising incomes will partially offset the negative impact of higher mortgage carrying costs on home ownership demand.
Net Migration	International immigration is easing, particularly in Ontario, Quebec, and British Columbia which attract the bulk of the international immigrants. Alberta, however, will continue to attract a large number of net migrants from the rest of Canada.
Natural Population Increase	As Canada's population ages, a smaller proportion of people will be in their child bearing years and the birth rate will continue to slow. Rising immigration will slow the aging of the population, but ultimately, the declining rate of increase in the natural population (births - deaths) will lessen the demand for additional housing stock in the longer term.
Consumer Confidence	The Conference Board of Canada's index of consumer confidence is expected to remain firm throughout the forecast period. Confidence is particularly strong among consumers aged between 34 and 55, typically repeat home buyers.
Resale Market	MLS® sales in 2006 will nearly match the 2005 record before moderating in 2007. Easing demand combined with an increasing supply of new listings will move the resale market toward more balanced territory. However, 2006 will mark the strongest price growth since 1989 due to the sharp price gains recorded in the first half of this year in western Canada. The rate of increase in the average existing home price will slow in the latter half of this year and next.
Vacancy Rates	Modest rental construction, and increased competition from the condo market will cause vacancy rates across Canada's metropolitan centres to edge higher in 2007.

Special Report: Outlook for Housing Starts 2006-2010

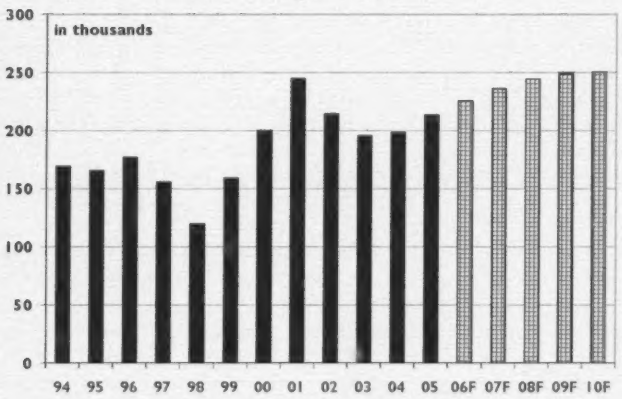
The outlook for the housing market remains very upbeat for 2006 and 2007 with housing starts remaining above the 200,000 unit threshold in both years. In this update of our long-term forecast we will look at the factors that will drive housing starts out to 2010 and highlight some of the key regional trends.

Economic and demographic conditions will continue to support a high level of housing starts

The Canadian economy will face some challenges over the next year. The adjustment to the high value of the Canadian dollar and slower growth in the US economy will decrease demand for our exports. Looking further ahead, however, the outlook for Canada is reasonably upbeat. Low inflation means that interest rates will stay low, which should continue to support business investment and consumer spending. The Canadian economy is operating at capacity, therefore, real GDP in Canada is forecast to continue to grow at a pace that is in line with the country's potential rate of growth; about 3 per cent annually from 2008 to 2010.

These capacity constraints will be mirrored in the labour market, which is very tight. A record share of Canadians are currently employed, therefore, job creation will be constrained by growth in the population. Over the 2008 to 2010 period, employment growth will average 1.3 per cent annually, a pace sufficient to keep the unemployment rate near 6 per cent.

Total Net Migration, Canada

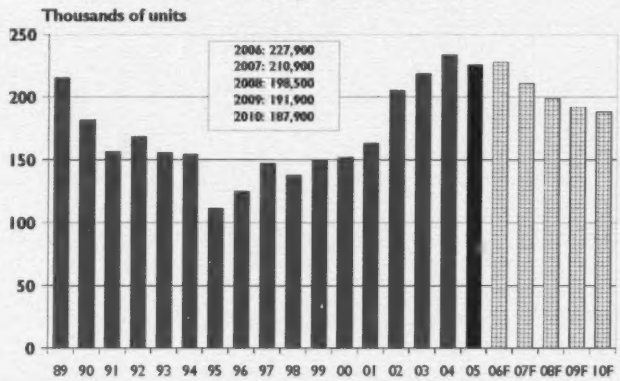


When the economy operates at or above its capacity for an extended period of time, there is a significant risk that inflationary pressures will start to build. Therefore, in order to remove excess monetary stimulus from the economy, the Bank of Canada increased short-term interest rates by 175 basis points between September 2005 and June 2006.

At this point, the rise in short-term interest rates has run its course, and they will remain near current levels through 2010. Mortgage rates are expected to edge higher between 2008 and 2010.

The rate of increase in house prices will slow as resale markets become more balanced later in the decade. The average MLS house price will grow in the 2.5 to 3.5 per cent range between 2008 and 2010. This pace of price growth represents a marked slowing from the pace of over 11.5 per cent forecast for 2006, nevertheless, when combined with higher mortgage rates, it will contribute to increasing mortgage carrying costs.

Total Housing Starts, Canada



Favourable economic conditions, such as relatively low mortgage rates can boost demand for housing, particularly in the short to medium term; population growth is a key driver of housing demand in the longer term. In recent years, a key source of population growth has come from immigration. Over the 2008 to 2010 period, tight labour market conditions will provide an attractive environment that will continue to draw large numbers of immigrants to Canada. As a result, total net migration is forecast to rise steadily from about 215,000 people in 2005 to over 250,000 people in 2010. The rise in net migration will boost population growth and household formation, which in turn will support high levels of housing starts through 2010.

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Housing starts will remain high but will slide gradually between 2008 and 2010

The pace of housing starts has been running ahead of demographic requirements since 2002 and will continue to do so for the next several years. Because of this, the significant pent-up demand that accumulated over the 1990s is wearing off. Looking ahead to the 2008 to 2010 period, housing starts are expected to continue to slow gradually, dipping below 200,000 units to reach 198,500 starts in 2008. By 2010, starts will slow to about 187,900 units.

The decrease in starts will be more pronounced for single homes

Starts of multiple family dwellings, such as apartments, semi-detached and row houses, will not decrease as rapidly as starts of single family homes. There are several reasons for this, but the two key ones are: Multiple-family homes are less expensive on average than singles. Therefore, following several years of strong house price appreciation, the continued rise in mortgage carrying costs will cause demand to shift away from singles toward multis. Second, immigration will be the major contributor to population growth over the forecast period and most immigrants tend to settle in rental housing when they first arrive in Canada. Therefore, high demand for rental housing will boost multiple starts relative to single starts.

Provincial details: 2006-2010

Newfoundland and Labrador

The current provincial government's plan is to transform the resource-rich, but debt-ridden region into a "have" province, by partnering in all future major energy projects. The Atlantic Accord has improved the province's fiscal outlook. Nevertheless, the province continues to struggle with an annual deficit and must address the issue of the highest per capita debt levels in the country. Therefore fiscal restraint measures will continue to be required over the forecast period.

Concerns over the fishing industry also pose risk to rural economies. Further crab quota and price reductions are anticipated. Population losses continue, reflecting ongoing negative net migration patterns and natural population decline during the latter part of the decade. Given the current demographic and economic outlook, a gradual decline in housing demand is anticipated. Urbanization trends continue, with housing demand in the St. John's region falling at a much slower pace than other areas of the province. Growing demand from seniors, tight rental markets, a continuing shift towards medium density housing, and government assisted affordable housing initiatives will limit declines in multiple construction over the period. Total starts are expected to decline from 2,050 in 2008 to 1,850 by 2010.

Prince Edward Island

The Island's economy will grow at a modest pace over the 2008 to 2010 period. The Island's traditional sectors, tourism, agriculture and fisheries are all expected to contribute to the positive outlook. The province has launched an aggressive plan to increase tourism revenues to 15 per cent of the province's GDP by 2010. The Island's growing aerospace industry, which is located mainly in the Summerside area, is expected to be one sector that continues to expand. The Island's economy is continuing to diversify in an attempt to decrease its reliance on the primary industries.

A positive outlook for the growth of the population is also expected. Net-migration should remain positive as people continue to return to the Island. Urbanization will continue to support the housing markets in both Charlottetown and Summerside although demand will soften slightly over the forecast as economic growth will be moderate. Total starts will decrease to 650 units by 2010 from 675 in 2008.

Nova Scotia

Moderate economic and employment growth is expected in Nova Scotia through 2010. An increasing share of growth will be delivered through investment as non-residential construction activity continues to ramp up at the same time that consumer activity slows.

There will be a more focused effort by the province to restart the growth in energy investment which has been rekindled by Encana's recent announcement regarding the future of Deep Panuke. They will soon begin the next phase of this project but on a smaller scale than originally envisioned.

Provincial housing market activity will continue to descend from the recent cyclical peak established in 2002-2003, a phenomenon that was interrupted by exceptionally strong employment growth in 2004 and unexpectedly low mortgage rates in 2005. Total housing starts are forecast to decline unless the province is able to leverage opportunities in the energy sector. By 2010 total annual housing starts will fall to 4,200 from 4,350 in 2008.

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New Brunswick

Economic growth in New Brunswick is expected to improve over the 2008-2010 forecast period due to continued investment in energy related projects. With strong ties to the United States, trade growth will also be critical to the province's economic health. Capital investments are currently playing a larger role in sustaining economic growth in New Brunswick. The north western region of the province has benefited from economic spin-offs of large scale highway construction. In addition, major upgrades to New Brunswick's sole nuclear power generation facility, the construction of a liquefied natural gas terminal and the recently announced new refinery in Saint John will further stimulate economic activity over the forecast period. Urbanisation will continue to shift the growth of residential construction towards the province's largest urban centres including Moncton, Saint John and Fredericton. Despite the increase in migration in the three large urban centres, overall population growth will be modest as a result of continuing weakness in the northern part of New Brunswick. The end result will be a small decline in demand for housing over the forecast period. Total housing starts should trend downward from 3,625 units in 2008 to 3,400 units in 2010.

Quebec

Moderate employment growth combined with greater supply on the resale market will lower the demand for new homes during the next five years. Housing starts should thus decrease from 38,000 units in 2008 and attain 35,000 units by 2010. Quebec's new home market shall be sustained by the increasing popularity of condominium apartments and strong demand for retirement residences which shall yield significant levels of multi-family construction in the coming years.

Ontario

Ontario's economic and housing cycle is maturing. Higher interest rates, slower job growth and an ageing population explains why Ontario's housing market has edged below its recent peaks. While moderating energy prices will result in a lower dollar and a boost to Ontario's exports, a cooling US economy brought on by cooler housing conditions will temper exports to the US.

This means home starts will be running closer to demographic requirements between now and 2010 after having outpaced the rate of household formation since 2001. Furthermore, rising listings of existing homes will improve consumer choice, resulting in less spillover demand for new home construction. New construction will also be constrained by supply considerations - namely tighter supply of serviced lots available for residential development. Housing starts in Ontario peaked at over 85,000 in 2003. Ontario home starts will decrease from 66,000 starts in 2008 to reach 64,000 units by 2010.

Manitoba

Manitoba is the only province in Canada where housing starts are expected to increase throughout the forecast period. Since the mid 1990s, new home construction in the province failed to keep pace with new household formation, creating pent-up demand for new units which has yet to be satisfied. Demand for new homes will also be fuelled by a persistent improvement in net migration. Thanks to a successful Provincial Nominee Program to attract international migrants, net migration into Manitoba will be the strongest since the early 1980s. Meanwhile, though interprovincial migration will remain negative, one of the lowest unemployment rates in the country will help stem the losses moving forward. These economic and demographic conditions will push Manitoba housing starts up to 5,100 units in 2008 and to 5,300 through 2010.

Saskatchewan

Economic growth in Saskatchewan is expected to average close to three per cent over the forecast period, the longest and most pronounced period of expansion in almost 15 years. With the province's oil reserves, which are the second largest in the country, the economy will benefit from increased oil production and investment. Meanwhile, the new Cigar Lake uranium mine and strong global demand for potash and other minerals will provide further rationale for optimism. Despite the solid economic performance, net migration will remain negative in Saskatchewan as Alberta continues to attract migrants. Nonetheless, new home construction will remain elevated through 2010 thanks to activity in Regina and Saskatoon, the two largest markets. After peaking in 2007, housing starts will moderate slightly to 3,500 units in 2008 and will remain at that level through 2010.

Alberta

With approximately $100 billion in oil and gas related investment in store for the province during the next five years, Alberta should maintain itself as the economic growth leader across the nation. During the 2008 to 2010 period, the provincial economy will expand by an average of four per cent. Investment in the energy sector will be the primary driver of economic growth, though persistent gains in consumption and healthy residential, commercial, and infrastructure spending will provide additional fuel for the economy to grow. Such activity will continue to draw labour from other provinces, albeit at a lesser pace than what is currently being experienced. While Alberta will maintain the lowest unemployment rate in the country, the growing disparity in housing costs between Alberta and other markets will serve to moderate interprovincial migration moving forward. Thus, housing starts are expected to moderate to 42,500 units by 2008 and trend down to 39,000 in 2010.

British Columbia

New home construction in British Columbia will trend down from 32,700 units in 2008 to just over 31,000 starts in 2010 as builders respond to changing market conditions. The level of starts activity will continue to exceed the level of household formation. An expanding economy, growth in employment and incomes and population inflows are key factors behind the ongoing strength in new construction. However, higher new home prices and more choice in existing home markets will temper demand for new homes. The product mix of housing starts will remain relatively stable during the 2008 through 2010 period. Trends in urbanization, higher new and resale prices, lifestyle choice and limited land supply in urban markets means that multiple-unit starts will continue to account for more than half of the new homes started.

Total Housing Starts, Canada and the Provinces

	2004	2005	2006F	2007F	2008F	2009F	2010F
Newfoundland	2,870	2,498	2,215	2,150	2,050	1,950	1,850
Prince Edward Island	919	862	750	700	675	650	650
Nova Scotia	4,717	4,775	5,000	4,575	4,350	4,250	4,200
New Brunswick	3,947	3,959	4,100	3,750	3,625	3,500	3,400
Quebec	58,448	50,910	45,800	40,700	38,000	36,000	35,000
Ontario	85,114	78,795	75,200	69,100	66,000	65,000	64,000
Manitoba	4,440	4,731	4,950	5,000	5,100	5,200	5,300
Saskatchewan	3,781	3,437	3,600	3,600	3,500	3,500	3,500
Alberta	36,270	40,847	49,400	46,000	42,500	40,000	39,000
British Columbia	32,925	34,667	36,900	35,300	32,700	31,800	31,000
Canada	233,431	225,481	227,900	210,900	198,500	191,900	187,900

British Columbia

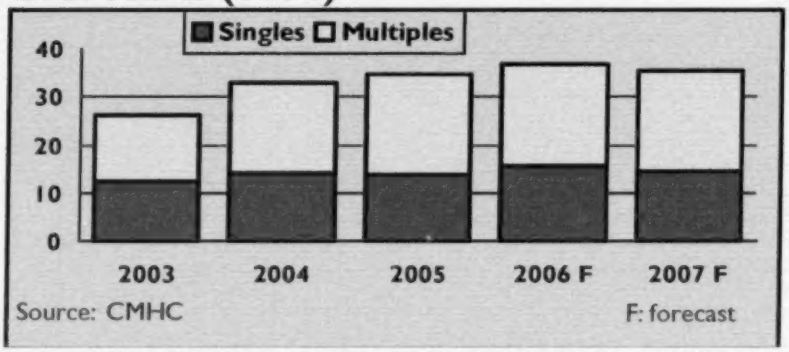
Overview

Housing Sector Resilient in 2007

The housing sector in British Columbia will be resilient in 2007. The impact of above average economic, employment and income growth on the housing sector will be offset by higher mortgage carrying cost due to rising new and existing home prices. As a result, resale activity will slow from the 2005 peak but will remain the highest in Canada on a per capita basis. The slowdown in resale activity will result in a smaller spill-over of demand for housing into the new construction market. Foundations will be poured for 35,300 housing units in 2007, compared to a projected 36,900 units in 2006.

Consumer spending and investment will be the main drivers behind the projected 3.5 per cent increase in provincial economic output in 2006 and 2007. Gains in home equity combined with positive labour market developments have boosted consumer confidence to record highs in 2006. Spending on retail goods and housing

B.C. Starts (000's)



Source: CMHC F: forecast

reflects this optimism. A high valued Canadian dollar coupled with growth in corporate profits will lead to increased business investment also adding to economic growth.

Job growth in British Columbia will remain one of the strongest in the country next year. The concentration of employment in full-time jobs this year and next will help sustain income growth above the national average. In 2007, the unemployment rate will continue to decline, averaging 4.4 per cent, compared to the national rate of 6.4 per cent.

Job seekers will continue to move to the west. British Columbia will see a population increase of approximately 45,300 persons in 2007 as a result of people moving to the province from other countries and from other provinces. British Colombia's population will continue to grow faster than the national population, which will fuel housing demand.

In Detail

Single Starts: The number of single-detached housing starts will rebound 14.4 per cent to 15,700 units in 2006 following a slight decrease in 2005. In 2007, this ever-popular housing type will garner a smaller share of housing starts as increasing building costs drive prices higher. As a result, there will be 14,600 single-detached starts in 2007, a 7.0 per cent decrease from this year.

Multiple Starts: Multiple-unit starts will climb to an eleven-year high of 21,200 units in 2006 as demand for this type of housing remains strong, including in areas outside the major metropolitan regions. In 2007, multiple starts will decrease to 20,700 units. New construction will be concentrated in higher density projects reflecting rising land, material and labour costs, as well as consumer demand for condominium units. Three quarters of these multiple-unit starts will be apartments in 2006 and in 2007.

Resales: British Columbia will continue to lead the provinces in resale activity per capita. The active resale market will record slightly less than 100,000 transactions this year and 94,500 existing homes sales in 2007 as higher mortgage carrying costs impact buyers' pocketbooks.

Prices: Sellers' market conditions will prevail in most markets around the province. However, increased listings will provide more choice for home buyers in established neighbourhoods, tempering the pace of price growth. The average resale price in British Columbia will reach $389,500 in 2006 and $419,400 in 2007, increases of 17.2 per cent and 7.7 per cent, respectively.

Provincial Highlight

The unemployment rate in the construction sector fell from 8.8 per cent in July 2003 to 3.6 per cent in July 2006 as employment growth outpaced the supply of workers. In response to these pressures, programs have been initiated to mitigate the labour shortage in construction. Trades programs in colleges across BC have been expanded. According to the BC Industry Training Authority, the number of registered apprentices in BC programs reached 26,525 in 2005/06 fiscal year, almost doubled the level two years ago (14,676 in 2003/04). The number of students learning skilled trades is expected to reach 33,000 in 2006/07.

Alberta

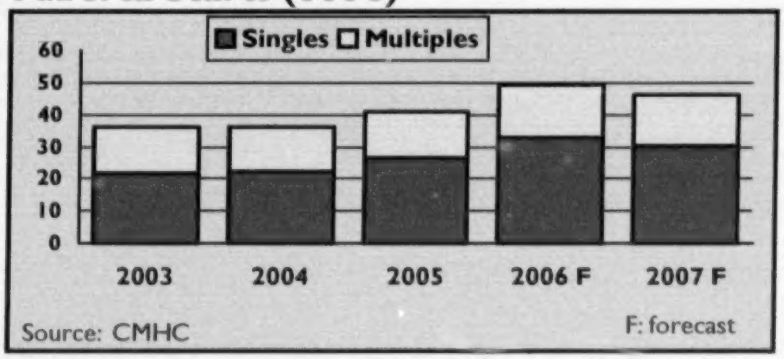
Overview

Accelerating economy fuels record housing starts and sales

Alberta is enjoying the longest and strongest economic expansion in its history. Record energy profits and high prices continue to elevate business investment, while surging wages, significant population growth, and $1.3 billion in prosperity cheques are boosting personal consumption. A jump in energy royalties is also contributing to substantial infrastructure spending across the province while providing modest tax relief. Expect a nation-leading economic expansion of 5.9 per cent in 2006, followed by 4.2 per cent growth in 2007.

While not alleviating the skilled labour shortages, a two percentage point gain in labour force participation and record net migration will fuel growth in employment to 4.4 per cent in 2006. This will represent the strongest employment growth since 1981. Though net migration will expand the labour force further in 2007, the prospect for additional gains in the participation rate are low since it has returned to record highs. Expect job growth to be limited to 2.2 per cent in 2007.

Alberta Starts (000's)



Following a record 68,098 migrants in 2005, net migration is expected to rise to 69,500 in 2006. Alberta's abundant job prospects, record low unemployment rate, impressive income gains, and low taxes remain huge draws for migrants from other locales. While this will hold true through 2007, migration will slip modestly as escalating house prices weaken Alberta's pull from other provinces.

The impressive outlook will propel housing starts to new highs in 2006. Total housing starts will reach 49,400 units this year, surpassing the previous record of 47,925 in 1978. While most economic indicators support a sustained increase in 2007, the recent escalation in house prices will result in a modest decrease in housing starts to 46,000 units.

In Detail

Single Starts: Unprecedented demand, additional construction capacity, and favourable weather will result in a record 33,000 single-detached starts in 2006. While economic factors will remain favourable in 2007, expect activity to ease slightly to 30,500 units as escalating prices and increased competition from existing homes temper demand. Despite the decline, next year's performance will be the second best on record.

Multiple Starts: Demand from first-time buyers and investors coupled with historically low inventories will boost multi-family starts to their highest level since 1982. Expect a total of 16,400 units to be started in 2006. Next year, cost pressures, modest gains in inventory, and the timing of some projects will mean that multi-family starts will ease slightly to 15,500 units.

Resales: Despite escalating prices and listings shortages in most markets, existing home sales will set a record for the seventh consecutive year in Alberta. Look for sales to reach 72,500 in 2006, before slipping to 68,750 next year. While demand will continue to be fuelled by strong population gains, escalating prices will serve to weaken sales in 2007.

Prices: A shortage of active listings coupled with record demand is contributing to the strongest rate of price growth on record. Prices will advance 29 per cent this year, more than double the highest rate of price growth ever recorded. Price gains will be highest in Calgary, up close to 40 per cent year-over-year. With more selection in 2007, price growth will moderate to 13 per cent. Alberta will lead price growth in 2007 as it becomes the second most expensive resale market in Canada.

Provincial Highlight

Escalating house prices are the dominant threat to home ownership demand moving forward. The latest New House Price Index (NHPI) for Alberta showed a 46 per cent annual increase in the price of new homes, more than eight times the rate of growth reported one year earlier. Meanwhile, Alberta's resale price recently recorded the strongest year-over-year gain on record, up an astounding 38 per cent in August. Given the price escalation over the previous year, the corresponding monthly carrying costs on an average priced home are 48 per cent higher than they were just one year earlier.

Saskatchewan

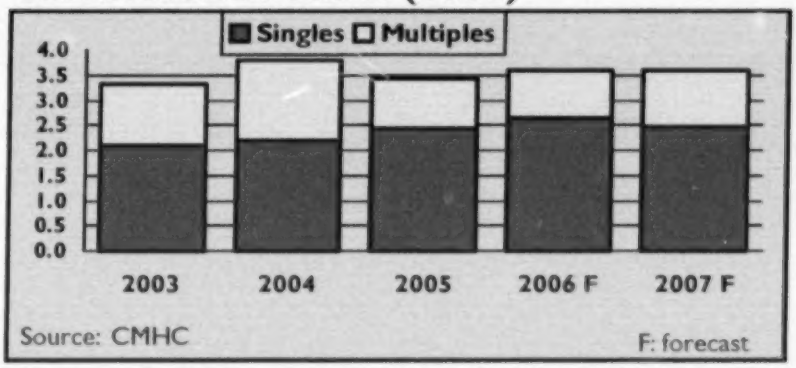
Overview

Gains in two CMAs maintain housing starts at high levels

Though the outflow of residents persists, Saskatchewan housing starts continue to be resilient as gains in Regina and Saskatoon counter weakness in smaller centres. Following a nine per cent drop in 2005, total housing starts are forecast to reach 3,600 units in both 2006 and 2007.

In 2006, the Saskatchewan economy will expand by 2.9 per cent, the lowest growth rate in four years. While solid gains in construction, consumer spending, and oil and gas extraction will maintain economic growth near the national average, the overall performance will be hampered by weaker agriculture and mining output. Crop prices are down significantly from the previous year, while weather has hindered overall production. Potash shipments were slashed early in 2006 due to pricing disputes with China and India. The economic outlook should be more favourable in 2007 as resource and agriculture production improve. This, combined with healthy capital expenditures and robust residential construction, will boost economic output by 3.1 per cent next year.

Saskatchewan Starts (000's)



In 2005, nearly 9,000 people left Saskatchewan, the largest outflow since 1990. While net migration into the province will remain negative in 2007, we expect the outflow to be cut in half. A more competitive tax environment and low unemployment will slow the exodus to Alberta, as will the disparity in housing costs between the provinces.

The persistent migratory outflow is hindering Saskatchewan's ability to expand its payrolls. While economic growth will average 3.0 per cent over the forecast period, employment will increase by just over one per cent annually. Despite this apparent weakness, Saskatchewan's labour market is among the tightest in the country, as evidenced by its low unemployment rate and record high participation. This will result in a stronger rate of full-time job creation, boding well for housing demand.

In Detail

Single starts: Single-detached starts will reach 2,650 units in 2006, a 9.3 per cent increase over 2005's solid performance and the highest number of single starts recorded since 1987. Higher prices will boost mortgage carrying costs and contribute to lower single-detached starts in 2007, as will the lagged effects of weaker job growth in 2006. As a result, single starts will decrease to 2,475 units in 2007.

Multiple Starts: Although supply has fallen to levels that should encourage more multiple starts this year, developers have been unable to bring production up quickly enough to meet potential demand. As a result, multiple activity in 2006 will fall to 950 units, the lowest level since 2001. Next year, multiple starts will recover to 1,125 units, most of which will be condominium units appealing to empty-nesters and seniors.

Resales: Thanks to solid gains across the province, existing home sales are on pace to surpass the long-standing record from 1996. Expect existing home sales to reach 8,800 units in 2006 and maintain that pace in 2007. Saskatchewan will be one of only two provinces not to record a decline in sales in 2007.

Prices: A strong movement to homes in higher price ranges is adding to the rise in the average resale price. Following an 10.8 per cent gain in 2005, the average resale price will increase by 8.1 per cent in 2006 and by six per cent in 2007 when more listings enter the market.

Provincial Highlight

Following the poor performance in 2005, the migratory picture in Saskatchewan appears to be improving. In the second quarter, Saskatchewan experienced a loss of only 491 net migrants. While negative, this represents the best quarterly migration figure since 1998. Losses via interprovincial migration in the second quarter fell to only 1,100 persons, a vast improvement from the 3,356 lost during the same period in 2005. Tight labour market conditions in Saskatachewan as well as rising housing costs in other provinces are serving to stem some of the outflow of migrants.

Manitoba

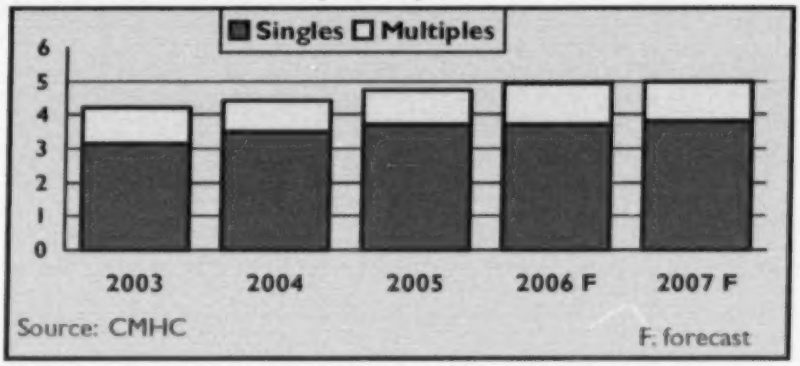
Overview

Manitoba starts highest in 18 years

Housing starts in Manitoba are on track for the sixth consecutive gain in 2006, marking the longest period of growth in new home construction on record. Economic and demographic factors will propel housing starts to 4,950 units this year and 5,000 in 2007, representing the best two-year performance for housing starts since 1997-1998.

The construction sector will be a key driver of economic growth over the forecast period, as housing starts and several significant non-residential projects reach their peak. Major non-residential projects currently under construction include improvements to the Winnipeg airport, the Red River Floodway expansion, Manitoba Hydro's new office tower, and the start of the Wuskwatim hydroelectric generating station. Collectively, such projects account for more than $2 billion. Expect an above-average economic expansion in the provincial economy of 3.1 per cent in 2006 and 2.6 per cent in 2007.

Manitoba Starts (000's)



While employment gains in 2006 and 2007 will be among the strongest in four years, the rate of job creation in Manitoba will still fall below most other provinces. Manitoba continues to have the second lowest unemployment rate in the country and has recently set a new high for the percentage of its population employed. Under such conditions, labour shortages in Manitoba will persist throughout the forecast period, in turn stifling the rate of employment growth. Payrolls will expand by 1.2 per cent in 2006 and 1.1 per cent next year.

In 2005, gains from international migration failed to offset losses to other provinces, resulting in the first decline in net migration in four years. In 2006 and 2007, expect net migration to return to positive territory, as gains in international migration offsets the losses from Manitobans moving to other provinces. Manitoba's Provincial Nominee Program will propel international migration to recorded highs, boosting total net migration to 2,500 in 2006 and 4,050 iin 2007.

In Detail

Single Starts: Demand for newly constructed single-detached homes continues to be bolstered by population growth across the province and lack of listings in Winnipeg's resale market. At 3,800 units, single-detached starts in 2007 will exceed the performance of 2006. Overall activity will be split nearly fifty-fifty between Winnipeg and other areas of the province.

Multiple Starts: Rising prices in the single-detached market are causing an increasing number of first time buyers to consider the purchase of townhouse or apartment units. Demand for multi-family units is also coming from empty nester households looking to downsize from their single-detached homes. In 2006, multi-family starts will reach an 18-year high of 1,250 units and then dip slightly to 1,200 units in 2007.

Resales: Total MLS® sales in Manitoba will rise from 12,950 units in 2006 to 13,200 in 2007. Most of the sales will occur in Winnipeg. With over 80 per cent of the workers between the ages of 25 to 64 anticipated to have full time employment through 2007, households headed by these individuals will be in a position to purchase a home.

Prices: Despite more listings, the overall supply in the resale market will barely keep pace with demand. As a result, the average price of resale homes on a monthly basis will continue to increase three to four times more rapidly than the overall rate of inflation. The provincial average MLS® price is expected to increase from $150,500 in 2006 to $161,000 in 2007.

Provincial Highlight

Rising costs of owning a single-detached home could prove to be beneficial for multi-family starts in Winnipeg. Homebuyers in other major centres are increasingly turning towards this form of housing as it is a less costly alternative to a single-detached dwelling. The same potential exists in Winnipeg since over half of the population is distributed within age brackets where first time and move-up buying occurs.

Ontario

Overview

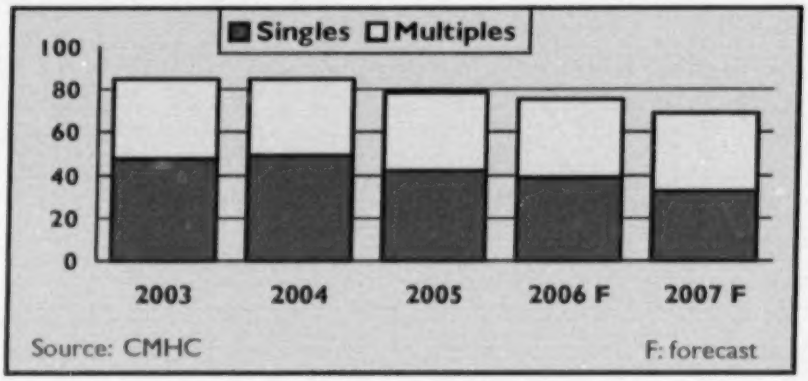
Ontario housing activity to remain above historical averages

Less stimulative economic and demographic conditions suggest that housing activity will moderate but will still remain above historical averages. Housing starts wil decrease to 75,200 units in 2006 and 69,100 units in 2007. Rising new single-detached home prices, more choice in the resale market and land constraints are all factors that will dampen new construction activity.

While Ontario's economic growth will lag behind the pace in Alberta and B.C., the growth gap between Ontario and the west will gradually narrow. Slowing US economic growth will dampen energy prices. This will likely pull the Canadian dollar lower—benefiting Ontario's manufactured goods and export volumes through 2007. Similarly, productivity gains stemming from capital spending in recent years will gradually contribute to Ontario's competitiveness and growth picture. Domestic demand however will be the engine of growth. Rising incomes in Ontario have boosted consumer spending despite high energy prices. Consumer spending will continue adding to Ontario's economic growth in 2007, albeit at a slower rate than in the recent past. While job growth in Ontario in 2006 and 2007 will be below historical averages, the pace will remain respectable. The services sector will deliver the bulk of job gains given recent restructuring plans in Ontario's auto and forestry sectors.

Low Ontario birth rates combined with slower growth in net migration points to slower population growth ahead. While high levels of immigration will boost population levels, this will be tempered by an outflow of migrants to the west.

Ontario Starts (000's)



In Detail

Single Starts: Despite a rapidly growing mid 40s population which prefers low density homes, demand for higher priced detached homes will cool. The decrease in single-detached starts to 38,700 units in 2006 and 32,750 units in 2007 will weigh most on total home starts between now and the end of 2007.

Multiple Starts: A shrinking but healthy pool of first time buyers looking for less expensive homes combined with provincial government efforts to promote higher density construction, suggests condominium apartments will remain in demand. Town homes will remain popular among those wanting to be closer to the ground. Multiple starts will inch down to 36,500 units this year and again to 36,375 units in 2007.

Resales: Sales through the Multiple Listing Service will pull back only modestly from an all-time record in 2004 as home prices boost mortgage carrying costs. MLS® sales will decrease to 193,900 units this year and 187,000 units next year.

Prices: A more balanced resale market resulting from higher home listings will dampen the pace of price growth in average home prices. Ontario home prices will rise by 5.9 and 3.1 per cent this year and next respectively.

Provincial Highlight

For a third consecutive year, Ontario's retirement home vacancy rate edged lower to 12.9 per cent. Vacancy rates increased for ward, semi private and private categories. Only the increasingly popular and pricier suites saw the vacancy rate edge lower. This reflects changing demand among more affluent seniors who have a preference for larger and more expensive accommodations. Ontario's retirement home vacancy rate is still higher than vacancy rates at the turn of the century. A relatively higher level of vacancies since 2001 is the result of the province's investment in long term care facilities. This came at a time when population growth for the target market (75+) slowed. As more long term care units are absorbed, vacancy rates are expected to drift lower. However, demand isn't expected to pick up meaningfully until 2015 when the target market's (75+) population growth moves into higher gear.

Quebec

Overview

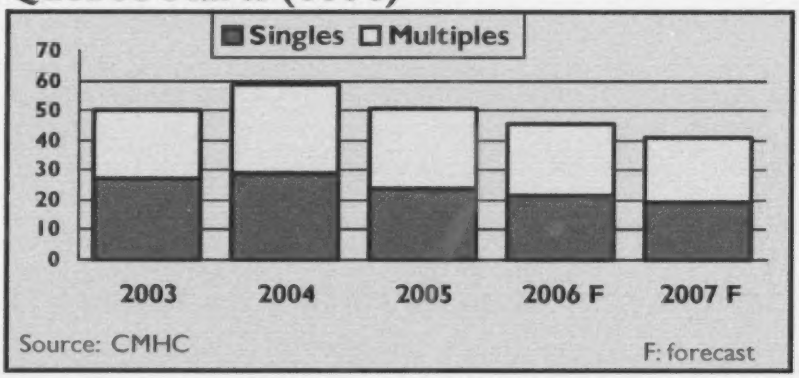
Housing market cools in 2006

Following several years of slower economic and demographic growth and the erosion of pent up demand, Quebec's housing market will continue to cool in 2006. Housing starts will decline by 10.1 per cent to 45,800 units in 2006 and by10.9 per cent to 40,700 units in 2007. A slow-down in sales of existing homes will bring more balanced conditions to the resale market causing price growth to weaken.

Quebec's economy is still expanding, thanks mainly to consumer spending and private investment, However, a strong dollar and high energy costs continue to make exports of Quebec goods more expensive in the U.S. and are thus holding back provincial economic growth. In addition, wage pressures and productivity concerns continue to affect the province's all important manufacturing sector, prompting firms to look for opportunities to move production abroad. As the provincial government attempts to balance its budget, spending remains limited, however several major projects are expected for 2007. Given this context, we expect GDP growth of 2.4 per cent and employment to rise just above the one per cent level.

While, many Quebec residents are being drawn to the western part of the country to pursue employment opportunities, immigration to the province will continue to be strong. As a result, total net migration is expected to be in the vicinity of 30,000 people this year and next.

Quebec Starts (000's)



In Detail

Single Starts: The single-family market will bear the brunt of the impact of weaker provincial economic conditions. Climbing resale home listings and cooling average existing home prices will weaken single-detached home starts. Demand will gradually shift toward the less expensive and increasingly popular multi-family market. Single-family starts are expected to decrease to 21,500 units in 2006 and 19,350 in 2007.

Multiple Starts: Multi-family housing construction will recede but remain relatively high thanks to sustained migration and the aging of the population - which continues to generate demand for condominiums and seniors residences. In 2006, 24,300 multi-family units will be started. Multiple starts will decrease further to 21,350 units in 2007.

Resales: The number of existing homes listed for sale will increase, giving buyers more choice in the existing home market. However, weak employment growth and rising mortgage carrying costs will cause sales of existing homes to slow in 2006. In 2006 and 2007, the Multiple Listing Service (MLS) should record 71,000 and 66,500 transactions, respectively.

Prices: As the inventory of existing homes expands and as demand slows down, the resale market shall move toward more balanced conditions in 2006, and as a result, price growth will moderate. The average MLS price will increase 6.3 per cent to $196,300 in 2006, and by 3.1 per cent to $202,300 in 2007.

Provincial Highlight

The latest results compiled by the Quebec ministry of immigration and cultural communities allow us to draw an insightful profile of immigrants to the province for the first half of 2006. It is estimated that close to 40 per cent of the 20,519 immigrants during this period were between 25 and 34 years old, while those aged 45 years and over made up 10 per cent of the total. The majority (61 per cent) of immigrants to Quebec were categorized as *economic* immigrants, while those joining family members made up 23 per cent, and refugees comprised 14 per cent. With respect to linguistic competencies, the results for the first two quarters show that 58 per cent of landed immigrants had a knowledge of French upon arrival. During this same period, approximately 20 per cent of immigrants to Quebec came from North Africa, 11 per cent from South America, 11 per cent from Eastern Europe and 10 per cent from Western Europe. Close to 75 per cent of arrivals from abroad intended to settle on the Island of Montreal. Finally, the percentage of immigrants aged 15 years and over having a minimum of high school education was stable at 63 per cent.

New Brunswick

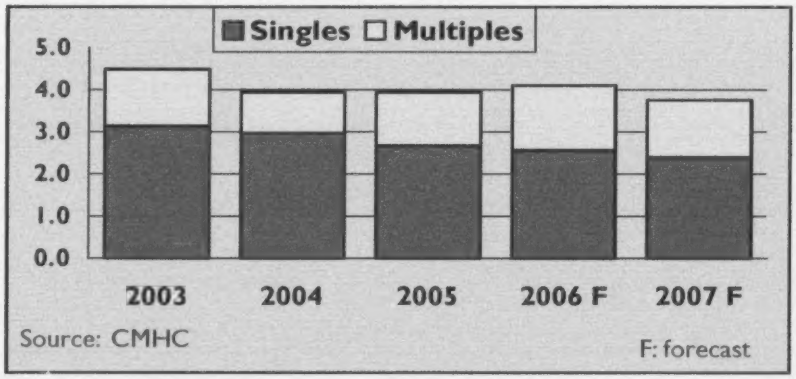
Overview

Economic Growth Cools Slightly

Economic growth in New Brunswick is expected to be stronger in 2006 compared to 2005 but will soften slightly in 2007. Slower growth in the U.S. economy will undoubtedly be felt by the province's manufacturing sector which relies heavily on exports to the United States. The strong Canadian dollar will also hold back demand in the U.S. for New Brunswick's exports. In light of weaker exports, the province's economy will rely more heavily on capital projects to help sustain economic activity. These include the ongoing upgrade of the Trans Canada Highway in Northern New Brunswick and large scale projects in the energy and power generation sectors. The recently announced oil refinery for Saint John by Irving should begin to boost the local economy by mid to late 2007 if the project goes ahead as anticipated. As a result of the positive effects of these projects on the provincial economy, expect GDP growth to reach 2.4 per cent in 2006 before slowing to 2.2 per cent in 2007. The labour market has performed well in the province. In 2006, employment growth will reach 1.8 per cent and will slow to 1.2 per cent in 2007.

Housing starts will remain strong in historical terms and will decline only slightly over the forecast period. Total starts should reach 4,100 units in 2006, with a small drop to 3,750 units in 2007.

New Brunswick Starts (000's)



Source: CMHC

F: forecast

In Detail

Single Starts: In spite of a strong start to the 2006 construction season, single starts are expected to decline moderately to 2,575 units. The market continues to adjust to a rise in construction costs, and the effects of higher mortgage carrying costs, which together are diverting some potential homeowners to the existing home market. Expect a further drop to 2,400 units in 2007, in response to some easing of demand.

Multiple Starts: Following a noteworthy increase last year, multiple starts are expected to increase 18 per cent in 2006. Rising new home prices are fuelling demand for semi-detached units, which have experienced a significant increase in most regions of the province. Furthermore, apartment starts have also increased substantially with several projects falling under the Frederal-Provincial assisted housing agreement. As a result, expect multiple starts to increase in 2006 to 1,525 units and decline to 1,350 units in 2007.

Resales: Despite the slight increase in mortgage rates, the resale market in the province has maintained a positive trend throughout the early part of 2006, and is on pace to surpass last year's record high for units sold. MLS® sales should reach 7,000 units in 2006, followed by a moderate reduction to 6,750 units in 2007.

Prices: Price growth has continued in 2006, although the pace has slowed, due to the significant rise in new listings. Growth in the average MLS® price will slow to a pace of 4.7 and 1.8 per cent in 2006 and 2007, respectively.

Provincial Highlight

The resale market in New Brunswick's three large centres, Fredericton, Moncton, and Saint John, have experienced seller's market conditions in recent years, contributing to noteworthy increases in existing home sales and accelerated price growth. However, during the last twelve months, higher mortgage carrying costs and an increase in the supply of homes listed for sale have caused the resale markets in each of these centres to gradually return to balanced conditions. This can be seen in recent decreases in the sales to new listing ratios and increase in the average number of days that homes are on the market before they sell. Conversely, smaller centres in the province are experiencing buyer's market conditions due primarily to out-migration towards larger centres.

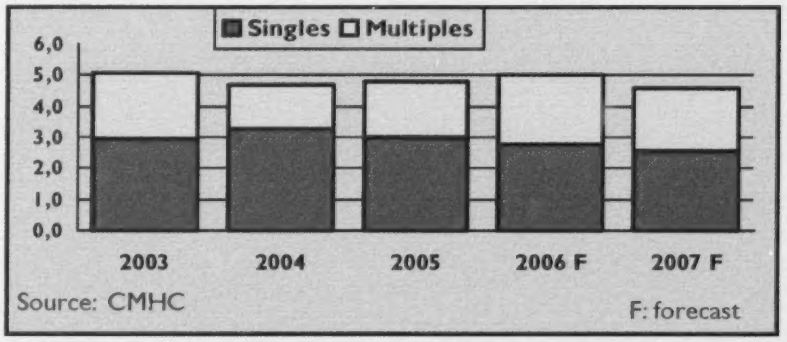
Nova Scotia

Overview

Entering Mature Phase of Housing Cycle

Economic growth continues to be driven mainly by an unflappable consumer. Provincial employment is hovering just below record high levels where it will remain through the end of next year. Given the modest inflationary pressures, real income growth has been robust, leaving consumers confident despite volatile fuel prices. Mortgage rates are slightly higher than a year ago but prospects for further increases over the next 15 months seem limited. However, the tourism, manufacturing and fishing industries are grappling with a host of business challenges that are expected to largely persist though the end of next year. As a result, economic growth is expected to hover near two and a half per cent over the next 15 months; well-below performances in western Canada. As a result, high paying job opportunities in western Canada will continue to attract workers from Nova Scotia and the net outlflow of inter-provincial migrants will persist through 2007. In short, housing market activity is expected to ease but remain healthy supported by steady but modest economic growth and demographic conditions.

Nova Scotia Starts (000's)



Total housing starts this year are on pace to hit the 5,000 unit threshold, propelled by an impressive rebound in apartment construction. However, rising rental vacancy rates and a sluggish pace of new condo sales portends a likely correction in multiple unit construction next year. In tandem with steady declines in single-detached homebuilding, total housing starts are forecast to slide nine per cent to 4,575 units in 2007.

In Detail

Single Starts: A combination of rising construction costs and an ample inventory of existing homes will continue to deflate demand for new single-detached homes through the end of next year. Some builders are choosing to control costs and provide value by offering more semi-detached and townhouse products while others are targeting the luxury market due to an abundant inventory of substantially-renovated existing homes in the increasingly crowded upper-middle price range. As a result, single starts will slip seven per cent this year to 2,800 units and fall nine per cent next year to 2,550 units.

Multiple Starts: Multiple unit housing starts are expected to remain at elevated levels this year and again in 2007. Steady growth in small households is fuelling demand while developers are increasingly employing economies of scale to manage construction costs. In combination, these factors are boosting the number and size of new apartment projects across the province. Expect multiple starts to leap 25 per cent this year to 2,200 units before slipping to a still impressive 2,025 units next year.

Resales: High employment levels, sturdy real income growth, persistently low mortgage rates and ample inventories will continue to support vigorous trading in the resale market through the end of 2007. Provincial MLS® sales are forecast to edge up to 10,500 this year before sliding five per cent to a very respectable 10,000 in 2007.

Prices: Resale market conditions have not softened sufficiently to impede price growth this year and a rising share of high-end sales has also contributed to what is expected to be 10 per cent annual average price growth this year. In 2007 price growth is forecast to decelerate to three per cent as average MLS® sale price reaches $181,000.

Provincial Highlight

Uncertainty reigns in the short-term economic forecast for Nova Scotia. The outlook for consumption appears brighter due to the recent decline in fuel prices and the legal provision for Sunday shopping. While the recent Utility and Review Board decision concerning Emera's utility rate application appears to provide the potential for a resumption in operations at Stora-Enso, export and tourism industries will continue to be challenged by the high value of the Canadian dollar and declining domestic demand in the U.S. Finally, offshore oil and gas exploration activity is waning and progress at the Bear Head LNG terminal has stalled. However, the brightening prospects for work associated with Deep Panuke provide some upside potential for the energy sector.

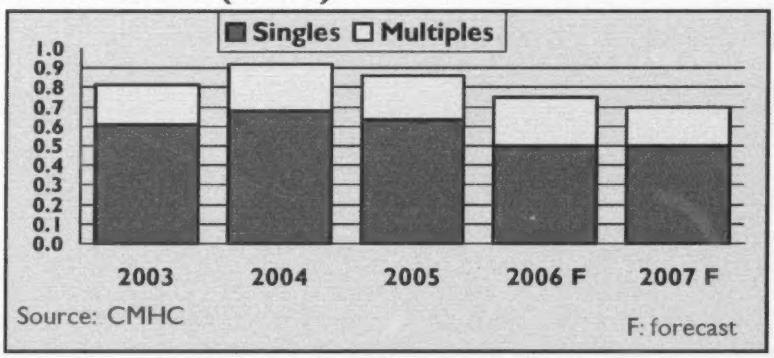
P.E.I.

Overview

Total housing starts to slow in 2007

Many of the Island's key sectors will experience moderate improvements in 2006 and 2007. In 2004, the Island's potato farmers agreed to a 10,000 acre reduction in production, in a effort to reduce the excess capacity that existed. As a result prices have recovered substantially in 2006. Consequently farm cash receipts for potatoes should be higher for 2006 and 2007. The Island's growing aerospace industry, which is located mainly in the Summerside area, is expected to contribute to growth in the province's economy. To-date, there have already been several announcements of intentions to hire new employees as a result of planned increases in production. Tourism is also expected to improve over the next two years, reflecting the launch of the province's aggressive plan to increase tourism revenues to 15 per cent of the province's GDP by 2010. The provincial economy will grow by a modest 1.8 per cent in both 2006 and 2007.

P.E.I. Starts (000's)



Source: CMHC

F: forecast

In addition, with the provincial deficit now at a manageable level, the provincial government should be in a position to contribute more to economic growth. The province has been able to cut the deficit from over $120 million in 2003-04 to a forecast $12.5 million for 2006-07.

Housing starts are expected to reach 750 units in 2006, a decrease of 13 per cent from the 2005 level, which was the second highest level of starts on the Island since 1988. Although a decrease in starts is expected in 2007 as well, new home construction, at 700 units, will remain above the 10 year average.

In Detail

Single Starts: The construction of single-family homes is expected to decline in 2006 to 500 units. This decline is expected as a result of increasing mortgage carrying costs due to higher home prices for both new and existing homes. Starts of single-detached homes will remain unchanged at 500 units in 2007.

Multiple Starts: Multiple starts will increase in 2006 to reach 250 units before dropping to 200 units in 2007. The pickup in activity in 2006 is related to an increase in affordable housing projects resulting in 190 new apartment units. Apartment construction will drop to 130 units in 2007 which is still high in historical terms. In addition, as the price of new single-detached homes continues the rise, many first-time homebuyers will be looking to semi-detached units as an alternative.

Resales: MLS® sales in PEI are expected to reach 1,500 units in 2006, a new record high, before falling moderately to 1,425 sales in 2007. The reason for the continued strength in the resale market is the widening gap in price between new and existing homes. As such, many potential homebuyers, especially first-time buyers, will be looking to the resale market to meet their housing needs

Prices: Price growth will begin to slow in 2007 due to a rise in new listings and increasing homeownership costs. The average MLS® price will grow by 8.5 per cent in 2006 and by 4.8 per cent in 2007.

Provincial Highlight

Annually, tourists spend more than $400 million in PEI which generates $60 million in tax revenues and supports 15,000 jobs for the provincial economy. This represents over 10% of the province's annual GDP, and in this regard is ranked number one in Canada. However, since 2000 the number of tourists has been on the decline with the most dramatic decrease of 16 per cent occurring in 2004. As a result the province, with the assistance of the Tourism Advisory Council, has created an aggressive plan with the objective of increasing tourism revenues to 15 per cent of provincial GDP by 2010. In brief the plan calls for more partnership between the industry and provincial government as well as a unified brand image for the Island.

Newfoundland and Labrador

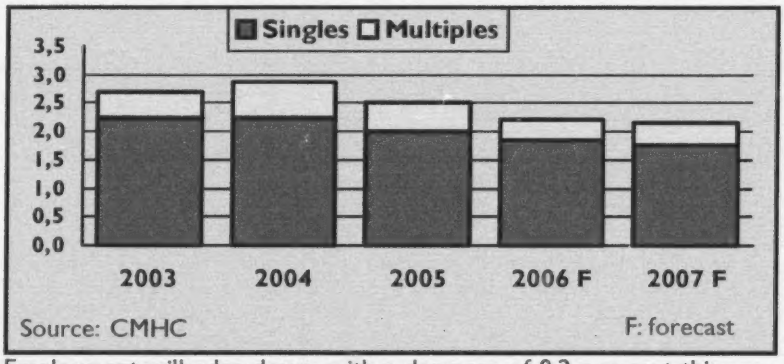
Overview

Mixed Economic Performance Undermines Starts

White Rose and Voisey's Bay recorded a full year of production in 2006, causing growth in the provincial economy to accelerate to 4.8 per cent. Growth would have been even stronger, but was held back due to a recent shut-down at Terra Nova for a refit, the lack of a Hebron deal, and a two month labour dispute at Voisey's Bay. Provincial GDP growth will soften, nevertheless, new oil discoveries and production gains will support growth of 2.5 per cent in 2007.

The provincial government has reduced the budget deficit, providing room for the province to invest in strategic initiatives helping to bolster overall government expenditures. Provincial government wages and salaries are also slated to increase this year by three per cent.

Newfoundland and Labrador Starts (000's)



Source: CMHC F: forecast

Employment will edge down, with a decrease of 0.2 per cent this year followed by a 0.5 per cent gain in 2007. A rebound in the Alaska crab industry, the escalating Canadian dollar, European tariffs, and a rise in China's international fishing activityhave hurt the fishery, curtailing GDP growth. Consumer spending will grow at a modest pace as growth in personal incomes of 2.7 per cent this year will be offset by population losses. The lack of new mega-project construction will constrain employment growth this year. The development of power generation, offshore oil development and growth in the mining industry, present upside risk to the forecast.

With the above factors in play, housing starts will decline 11 per cent this year to 2,215 units and edge down to 2,150 units in 2007 as higher mortgage carrying costs, higher labour costs, flat employment growth and out-migration dampen housing demand.

In Detail

Single Starts: Rising input and development costs, growing competition from the existing home market and higher mortgage carrying and labour costs will all continue to be key factors behind the decline in single-detached housing starts this year and next. On-going negative net-migration, combined with a marginal labour market performance, will push the singles market downward by seven per cent this year to 1,865 units with activity dropping close to five per cent to 1,775 units in 2007.

Multiple Starts: Multiple unit construction will decrease by 29 per cent to 350 units in 2006. Starts of single-detached homes with basement apartments have retreated, as home owners opt for more luxurious homes without such apartments. On the up-side, changing household structures and a strong local economy are persuading more developers to capitalize on the condo market in St. John's. Accordingly, condo starts are forecast to increase. When combined with affordable housing projects, multiple starts will rise slightly in 2007 to 375 units.

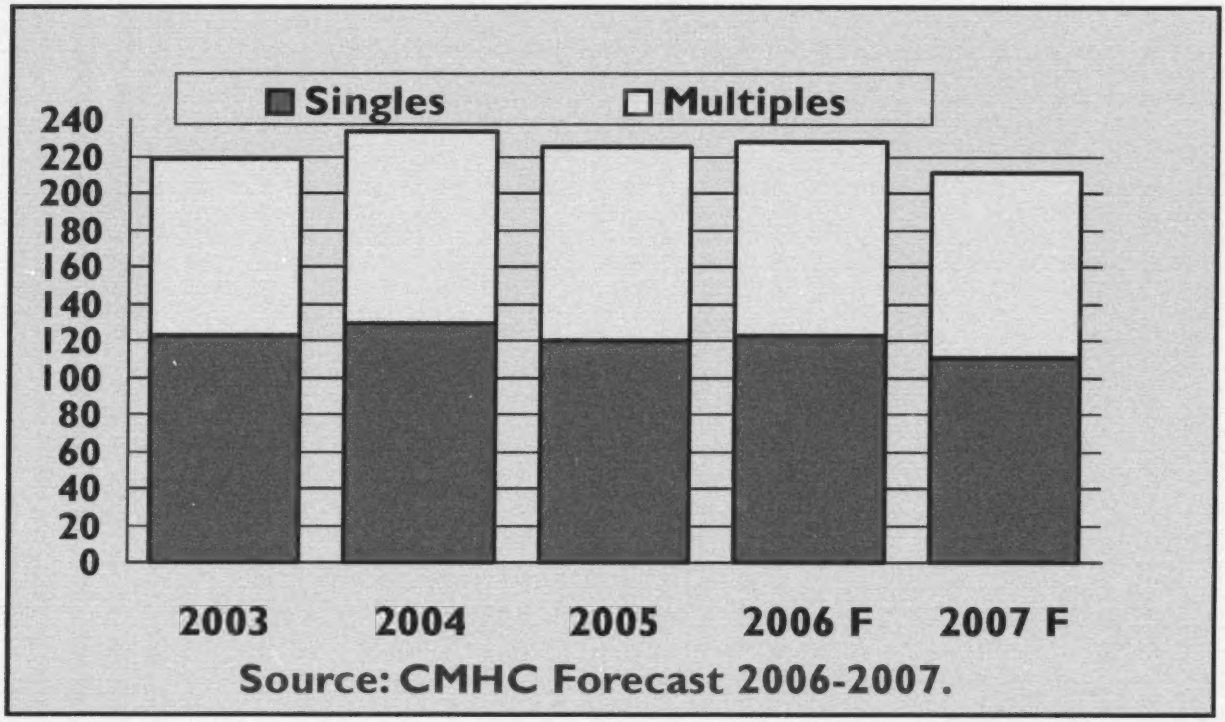
Resales: The recent surge in MLS® listings has provided more choice in the St. John's region. Demand is expected to ease somewhat in 2007. Provincial MLS® sales are forecast to rise by 7.5 per cent to 3,450 units this year and decrease to 3,200 units in 2007.

Prices: The recent surge in listings has caused the average MLS® price to stabilize this year. The MLS® average house price will increase marginally to reach $141,600. in 2006 The outlook for 2007 will be impacted by a decline in demand, with the average MLS® price forecast to increase by 1.5 per cent to $143,750.

Provincial Highlight

The resale market in the St. John's region has been classified as buyers since mid-2006. This comes after three years of sellers conditions, followed by a brief balanced market. The buyers market has contributed to a significant spike in active listings and flat price growth to date. With more listings on the market, buyers have a far greater choice than they have had in previous years. In addition, flat prices have encouraged the price-sensitive buyer to re-enter the resale market in search of a new home. Accordingly, sales will set a new record high for the 2006 calendar year. For the seller, there has been a noteworthy increase in days-on-market and the sell-price-to-list-price ratio has decreased causing buyers' and sellers' price expectations to be better aligned after several years of unrealistic expectations.

Canada Starts (000's)



Total Housing Starts (units and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	**1788**	**2,419**	**2,692**	**2,870**	**2,498**	**2,215**	**2,150**
%	22.5	35.3	11.3	6.6	-13.0	-11.3	-2.9
PEI	**675**	**775**	**814**	**919**	**862**	**750**	**700**
%	-4.9	14.8	5.0	12.9	-6.2	-13.0	-6.7
NS	**4092**	**4,970**	**5,096**	**4,717**	**4,775**	**5,000**	**4,575**
%	-7.7	21.5	2.5	-7.4	1.2	4.7	-8.5
NB	**3462**	**3,862**	**4,489**	**3,947**	**3,959**	**4,100**	**3,750**
%	12.4	11.6	16.2	-12.1	0.3	3.6	-8.5
QUE	**27682**	**42,452**	**50,289**	**58,448**	**50,910**	**45,800**	**40,700**
%	12.1	53.4	18.5	16.2	-12.9	-10.1	-10.9
ONT	**73282**	**83,597**	**85,180**	**85,114**	**78,795**	**75,200**	**69,100**
%	2.5	14.1	1.9	-0.1	-7.4	-4.6	-8.0
MAN	**2963**	**3,617**	**4,206**	**4,440**	**4,731**	**4,950**	**5,000**
%	15.7	22.1	16.3	5.6	6.6	4.6	1.0
SASK	**2381**	**2,963**	**3,315**	**3,781**	**3,437**	**3,600**	**3,600**
%	-5.3	24.4	11.9	14.1	-9.1	4.7	0.0
ALTA	**29174**	**38,754**	**36,171**	**36,270**	**40,847**	**49,400**	**46,000**
%	11.1	32.8	-6.7	0.3	12.6	20.9	-6.9
BC	**17234**	**21,625**	**26,174**	**32,925**	**34,667**	**36,900**	**35,300**
%	19.5	25.5	21.0	25.8	5.3	6.4	-4.3
Canada	**162733**	**205,034**	**218,426**	**233,431**	**225,481**	***227,900**	***210,900**
%	7.3	26.0	6.5	6.9	-3.4	1.1	-7.5

Source: CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding.

Single-detached Starts (units and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	1,598	2,092	2,240	2,229	2,005	1,865	1,775
%	21.5	30.9	7.1	-0.5	-10.0	-7.0	-4.8
PEI	551	582	613	682	634	500	500
%	-10.3	5.6	5.3	11.3	-7.0	-21.1	0.0
NS	2,761	3,363	2,968	3,270	3,010	2,800	2,550
%	-3.3	21.8	-11.7	10.2	-8.0	-7.0	-8.9
NB	2,573	2,769	3,139	2,970	2,665	2,575	2,400
%	5.4	7.6	13.4	-5.4	-10.3	-3.4	-6.8
QUE	17,193	25,257	27,225	28,871	23,930	21,500	19,350
%	12.0	46.9	7.8	6.0	-17.1	-10.3	-9.8
ONT	39,632	51,114	47,610	48,929	41,682	38,700	32,750
%	-3.5	29.0	-6.9	2.8	-14.8	-7.1	-15.4
MAN	2,460	3,016	3,165	3,484	3,709	3,700	3,800
%	4.8	22.6	4.9	10.1	6.5	-0.2	2.7
SASK	1,627	1,931	2,097	2,193	2,425	2,650	2,475
%	-13.9	18.7	8.6	4.6	10.6	9.3	-6.6
ALTA	19,769	24,520	21,918	22,487	26,684	33,000	30,500
%	17.4	24.0	-10.6	2.6	18.7	23.7	-7.6
BC	7,862	10,730	12,252	14,056	13,719	15,700	14,600
%	5.6	36.5	14.2	14.7	-2.4	14.4	-7.0
CAN	96,026	125,374	123,227	129,171	120,463	*123,000	*110,700
%	4.2	30.6	-1.7	4.8	-6.7	2.1	-10.0

Source: CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding.

Multiple Starts (units and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	190	327	452	641	493	350	375
%	31.9	72.1	38.2	41.8	-23.1	-29.0	-4.8
PEI	124	193	201	237	228	250	200
%	29.2	55.6	4.1	17.9	-3.8	9.6	-20.0
NS	1,331	1,607	2,128	1,447	1,765	2,200	2,025
%	-15.5	20.7	32.4	-32.0	22.0	24.6	-8.0
NB	889	1,093	1,350	977	1,294	1,525	1,350
%	39.6	22.9	23.5	-27.6	32.4	17.9	-11.5
QUE	10,489	17,195	23,064	29,577	26,980	24,300	21,400
%	12.2	63.9	34.1	28.2	-8.8	-10.0	-12.0
ONT	33,650	32,483	37,570	36,185	37,113	36,500	36,375
%	10.6	-3.5	15.7	-3.7	2.6	-1.8	-0.2
MAN	503	601	1,041	956	1,022	1,250	1,200
%	137.3	19.5	73.2	-8.2	6.9	22.3	-4.0
SASK	754	1,032	1,218	1,588	1,012	950	1,125
%	21.0	36.9	18.0	30.4	-36.3	-6.1	18.4
ALTA	9,405	14,234	14,253	13,783	14,163	16,400	15,500
	-0.3	51.3	0.1	-3.3	2.8	15.8	-5.5
BC	9,372	10,895	13,922	18,869	20,948	21,200	20,700
%	34.5	16.3	27.8	35.5	11.0	1.2	-2.4
CAN	66,707	79,660	95,199	104,260	105,018	*104,900	*100,200
%	12.2	19.4	19.5	9.5	0.7	0.0	-4.6

Source: CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding.

Multiple Housing Starts by Type (Units)

		2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NF	Semi-detached	30	36	66	264	151	140	150
	Row	36	42	107	51	31	25	25
	Apartment	124	249	279	326	311	185	200
	Total	190	327	452	641	493	350	375
PEI	Semi-detached	56	64	72	76	111	50	60
	Row	10	47	40	80	75	10	10
	Apartment	58	82	89	81	42	190	130
	Total	124	193	201	237	228	250	200
NS	Semi-detached	228	253	338	266	301	325	325
	Row	40	144	277	186	265	275	225
	Apartment	1,063	1,210	1,513	995	1,199	1,600	1,475
	Total	1,331	1,607	2,128	1,447	1,765	2,200	2,025
NB	Semi-detached	114	186	254	293	391	475	425
	Row	153	68	143	256	203	300	275
	Apartment	622	839	953	428	700	750	650
	Total	889	1,093	1,350	977	1,294	1,525	1,350
QC	Semi-detached	1,309	1,855	2,432	2,932	2,678	2,400	2,050
	Row	869	964	773	1,109	1,074	1,000	900
	Apartment	8,311	14,376	19,859	25,536	23,228	20,900	18,400
	Total	10,489	17,195	23,064	29,577	26,980	24,300	21,350
ON	Semi-detached	7,106	6,886	6,379	5,172	4,673	4,300	3,800
	Row	10,269	11,849	12,191	12,824	12,537	11,200	10,500
	Apartment	16,275	13,748	19,000	18,189	19,903	21,000	22,075
	Total	33,650	32,483	37,570	36,185	37,113	36,500	36,375
MAN	Semi-detached	51	68	88	132	133	200	180
	Row	84	76	62	92	161	140	120
	Apartment	368	457	891	732	728	910	900
	Total	503	601	1,041	956	1,022	1,250	1,200
SK	Semi-detached	116	142	95	184	236	150	175
	Row	240	456	594	681	378	450	400
	Apartment	398	434	529	723	398	350	550
	Total	754	1,032	1,218	1,588	1,012	950	1,125
ALB	Semi-detached	1,957	2,869	2,567	2,916	3,012	3,900	3,450
	Row	1,779	2,531	2,859	2,401	2,951	3,100	3,000
	Apartment	5,669	8,834	8,827	8,466	8,200	9,400	9,050
	Total	9,405	14,234	14,253	13,783	14,163	16,400	15,500
B.C.	Semi-detached	916	1,225	1,353	2,062	1,791	1,350	1,400
	Row	1,686	2,305	3,297	4,387	4,459	3,650	3,500
	Apartment	6,770	7,365	9,272	12,420	14,698	16,200	15,800
	Total	9,372	10,895	13,922	18,869	20,948	21,200	20,700
CAN	Semi-detached	11,883	13,584	13,644	14,297	13,477	13,300	12,000
	Row	15,166	18,482	20,343	22,067	22,134	20,100	19,000
	Apartment	39,658	47,594	61,212	67,896	69,407	71,500	69,200
	Total	66,707	79,660	95,199	104,260	105,018	104,900	100,200

Source: CMHC Forecast 2006-2007.
* Total does not add due to rounding.

Total Residential Resales (units and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	2,808	3,014	3,238	3,265	3,211	3,450	3,200
%	8.3	7.3	7.4	0.8	-1.7	7.5	-7.3
PEI	1,234	1,306	1,404	1,500	1,449	1,500	1,425
%	2.3	5.8	7.5	6.8	-3.4	3.5	-5.0
NS	9,441	10,243	9,221	8,887	10,387	10,500	10,000
%	10.1	8.5	-10.0	-3.6	16.9	1.1	-4.8
NB	4,779	5,089	5,489	5,979	6,836	7,000	6,750
%	5.6	6.5	7.9	8.9	14.3	2.4	-3.6
QUE	62,351	68,161	67,130	69,296	70,649	71,000	66,500
%	15.1	9.3	-1.5	3.2	2.0	0.5	-5.1
ONT	162,318	178,058	184,457	197,353	197,007	193,900	187,000
%	10.3	9.7	3.6	7.0	-0.2	-1.6	-3.6
MAN	11,440	11,108	11,523	12,098	12,761	12,950	13,200
%	7.8	-2.9	3.7	5.0	5.5	1.5	1.9
SASK	7,971	7,933	7,698	8,172	8,312	8,800	8,800
%	5.5	-0.5	-3.0	6.2	1.7	5.9	0.0
ALTA	48,989	51,042	51,334	57,460	65,866	72,500	68,750
%	13.1	4.2	0.6	11.9	14.6	10.1	-5.2
BC	69,554	82,737	93,095	96,385	106,310	99,800	94,500
%	28.4	19.0	12.5	3.5	10.3	-6.1	-5.4
CAN**	380,885	418,691	434,589	460,395	482,788	481,400	460,100
%	14.1	9.9	3.8	5.9	4.9	-0.3	-4.3

Sources: Canadian Real Estate Association and Real Estate Board of the Fredericton Area Inc., CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding. **Canada totals are for 10 provinces

Average Residential Resale Price (dollars and annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	104,376	113,081	119,822	131,499	141,167	141,600	143,750
%	4.9	8.3	6.0	9.7	7.4	0.3	1.5
PEI	87,696	94,964	101,745	110,815	117,237	127,206	133,250
%	5.8	8.3	7.1	8.9	5.8	8.5	4.8
NS	115,485	126,669	136,292	146,033	159,556	175,500	181,000
%	5.1	9.7	7.6	7.1	9.3	10.0	3.1
NB	95,947	100,129	105,858	112,933	120,641	126,350	128,650
%	4.7	4.4	5.7	6.7	6.8	4.7	1.8
QUE	115,820	130,403	151,881	171,099	184,583	196,300	202,300
%	4.1	12.6	16.5	12.7	7.9	6.3	3.1
ONT	193,357	210,901	226,824	245,230	263,042	278,600	287,100
%	5.2	9.1	7.5	8.1	7.3	5.9	3.1
MAN	93,192	96,531	106,788	119,245	133,854	150,500	161,000
%	6.0	3.6	10.6	11.7	12.3	12.4	7.0
SASK	98,310	101,297	104,995	110,824	122,765	132,750	140,750
%	4.5	3.0	3.7	5.6	10.8	8.1	6.0
ALTA	153,737	170,253	182,845	194,769	218,266	282,500	318,000
%	5.1	10.7	7.4	6.5	12.1	29.4	12.6
BC	222,822	238,877	259,968	289,107	332,224	389,500	419,400
%	0.7	7.2	8.8	11.2	14.9	17.2	7.7
CAN**	171,801	188,785	207,162	226,386	249,365	278,100	294,100
%	4.7	9.9	9.7	9.3	10.2	11.5	5.7

Sources: Canadian Real Estate Association and Real Estate Board of the Fredericton Area Inc., CMHC Forecast 2006-2007.
(F) Forecast.
* Total does not add due to rounding. **Canada totals are for 10 provinces

Employment (annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	2.9	1.7	2.4	1.0	-0.1	-0.2	0.5
PEI	1.5	1.7	2.2	1.3	1.9	0.8	1.0
NS	0.9	1.8	2.0	2.6	0.2	-0.3	0.5
NB	-0.3	3.9	0.0	2.0	0.1	1.8	1.2
QUE	1.1	3.8	1.7	1.4	1.0	1.3	1.1
ONT	1.9	1.8	3.0	1.7	1.3	1.6	1.4
MAN	0.4	2.3	0.5	1.1	0.6	1.2	1.1
SASK	-2.8	1.7	1.7	0.8	0.8	1.2	1.2
ALTA	3.0	2.4	2.7	2.4	1.5	4.4	2.2
BC	-0.5	2.3	2.5	2.4	3.3	3.0	2.2
CAN	1.2	2.4	2.4	1.8	1.4	1.9	1.6

Sources: Statistics Canada, CMHC Forecast 2006-2007.
(F) Forecast.

Unemployment Rate (percent)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	16.0	16.6	16.5	15.7	15.2	15.4	15.2
PEI	12.0	12.1	11.0	11.2	10.8	10.7	10.7
NS	9.8	9.6	9.1	8.8	8.4	8.0	7.9
NB	11.1	10.2	10.3	9.8	9.7	9.0	8.9
QUE	8.8	8.6	9.1	8.5	8.3	8.1	8.2
ONT	6.4	7.1	6.9	6.8	6.6	6.3	6.2
MAN	5.1	5.1	5.0	5.3	4.8	4.3	4.2
SASK	5.8	5.7	5.6	5.3	5.1	4.9	4.7
ALTA	4.7	5.3	5.1	4.6	3.9	3.6	3.7
BC	7.7	8.5	8.0	7.2	5.9	4.7	4.4
CAN	7.2	7.7	7.6	7.2	6.8	6.4	6.4

Sources: Statistics Canada, CMHC Forecast 2006-2007.
(F) Forecast.

Real Gross Domestic Product (annual percent change)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	1.6	16.4	6.2	-1.4	0.4	4.8	2.5
PEI	-1.1	5.8	1.5	1.8	2.0	1.8	1.8
NS	3.2	4.2	0.9	1.4	1.1	2.6	2.5
NB	1.7	4.4	1.7	2.0	0.5	2.4	2.2
QUE	1.5	2.7	2.1	2.3	2.2	2.4	2.3
ONT	1.8	3.2	1.6	2.7	2.8	2.3	2.5
MAN	0.8	1.9	1.8	2.3	2.7	3.1	2.6
SASK	-1.0	-0.2	3.8	3.4	3.2	2.9	3.1
ALTA	1.7	2.5	3.1	4.3	4.5	5.9	4.2
BC	0.6	3.5	2.7	4.0	3.5	3.5	3.5
CAN	1.8	3.1	2.0	2.9	2.9	2.9	2.7

Sources: Statistics Canada, CMHC Estimate 2005, CMHC Forecast 2006-2007
(F) Forecast.

Total Net Migration* (persons)

	2001	2002	2003	2004	2005	2006 (F)	2007 (F)
NFLD	-3,765	-2,665	-724	-2,407	-4,035	-3,552	-2,050
PEI	357	149	329	-5	155	319	300
NS	-195	1,129	1,494	-211	-2,719	-531	500
NB	-1,175	701	-378	49	-1,836	-1,738	-500
QUE	27,730	29,454	34,443	34,550	28,039	29,723	30,000
ONT	162,871	137,363	109,871	102,541	95,372	80,749	91,000
MAN	-807	1,924	3,409	3,988	-2,386	2,500	4,050
SASK	-7,675	-6,218	-3,344	-4,467	-8,964	-5,000	-3,800
ALTA	38,273	30,270	23,227	32,796	68,098	69,500	55,200
BC	28,700	25,011	35,429	38,646	43,654	41,597	45,300
CAN**	244,314	217,118	203,756	205,480	215,378	213,567	220,000

Sources: Statistics Canada, CMHC Forecast 2006-2007. (F) Forecast.
* Sum of interprovincial migration, international migration, and non-permanent residents.
** Excludes Yukon, Northwest Territories, and Nunavut.

Local Market Indicators

Census Metropolitan Area		Total housing starts	Single-detached housing starts	New housing price index, annual % chg.	MLS® sales	MLS® average price	Rental vacancy rate structures of 3 units +
Victoria	2005	2,058	974	7.9	7,970	380,897	0.5
	2006(F)	2,380	1,010	9.0	7,650	420,000	0.8
	2007(F)	2,140	995	8.0	7,350	428,000	1.2
Vancouver	2005	18,914	4,935	5.5	42,222	425,745	1.4
	2006(F)	21,000	6,000	6.0	37,900	495,000	1.0
	2007(F)	20,300	5,800	7.0	37,400	520,000	1.3
Abbotsford	2005	1,012	458	na	4,035	260,856	3.8
	2006(F)	1,100	490	na	4,100	280,000	2.7
	2007(F)	1,150	500	na	3,800	295,000	3.0
Edmonton	2005	13,294	7,623	6.5	18,634	193,934	4.5
	2006(F)	15,000	9,200	28.0	21,100	247,500	1.2
	2007(F)	14,500	8,750	13.0	20,300	268,500	1.0
Calgary	2005	13,667	8,719	7.0	31,567	250,789	1.6
	2006(F)	17,250	10,500	45.0	32,500	348,700	0.6
	2007(F)	15,750	9,500	12.0	30,500	381,000	0.6
Saskatoon	2005	1,062	751	5.6	3,246	144,787	4.6
	2006(F)	1,550	850	7.5	3,400	158,000	5.0
	2007(F)	1,450	750	6.0	3,400	169,500	4.8
Regina	2005	888	572	6.4	2,730	122,284	3.0
	2006(F)	850	600	8.5	2,900	136,000	3.2
	2007(F)	1,000	600	6.0	3,100	145,500	3.0
Winnipeg	2005	2,586	1,756	8.5	11,415	137,062	1.7
	2006(F)	2,700	1,700	8.5	11,500	155,500	1.5
	2007(F)	2,800	1,800	8.0	11,750	168,750	2.1
Thunder Bay	2005	227	179	2.0	1,563	125,977	4.6
	2006(F)	170	160	2.0	1,407	127,866	5.0
	2007(F)	200	150	2.0	1,353	129,145	5.5
Sudbury	2005	400	384	2.0	2,593	134,440	1.6
	2006(F)	460	430	2.0	2,645	147,900	1.0
	2007(F)	470	440	2.0	2,685	155,300	2.0
Windsor	2005	1,496	1,110	2.9	5,661	163,000	10.3
	2006(F)	1,070	710	1.0	5,050	164,000	9.0
	2007(F)	975	695	1.5	4,800	162,400	6.0
London	2005	3,067	2,063	4.8	9,133	178,910	4.2
	2006(F)	3,568	2,100	4.9	9,100	190,200	4.0
	2007(F)	3,034	1,900	3.6	8,600	197,800	4.5
Kitchener	2005	3,763	2,082	5.0	6,147	220,511	3.3
	2006(F)	3,030	1,800	4.5	6,050	237,500	3.1
	2007(F)	2,800	1,600	3.5	5,900	247,500	2.9
St. Catharines-Niagara	2005	1,412	1,043	7.0	6,698	182,443	2.7
	2006(F)	1,420	1,000	4.5	6,600	193,450	2.4
	2007(F)	1,380	950	3.5	6,400	199,350	2.3
Hamilton	2005	3,145	1,502	6.0	13,565	229,753	4.3
	2006(F)	2,800	1,400	5.8	13,180	248,000	4.2
	2007(F)	3,000	1,450	5.5	13,080	261,000	4.0
Toronto	2005	41,596	15,797	4.5	85,672	336,176	3.7
	2006(F)	38,600	14,500	3.8	84,000	352,000	3.5
	2007(F)	36,400	12,000	3.0	81,000	365,000	3.0

Local Market Indicators

Census Metropolitan Area		Total housing starts	Single-detached housing starts	New housing price index annual % chg.	MLS® sales	MLS® average price	Rental vacancy rate Structures of 3 units +
Oshawa*	2005	2,934	2,301	na	9,232	252,606	3.3
	2006(F)	3,005	2,125	na	9,300	260,000	3.0
	2007(F)	2,710	1,910	na	8,980	264,000	2.9
Kingston	2005	683	598	na	3,464	195,757	2.4
	2006(F)	865	500	na	3,400	213,375	2.5
	2007(F)	615	480	na	3,300	228,300	2.2
Ottawa	2005	4,982	2,350	4.5	13,300	248,358	3.3
	2006(F)	5,700	2,325	3.5	13,900	256,000	3.0
	2007(F)	5,200	2,225	3.3	14,000	262,000	2.8
Gatineau	2005	2,123	1,192	3.5	3,992	164,000	3.1
	2006(F)	2,300	1,120	3.0	4,100	168,000	4.2
	2007(F)	2,200	1,050	2.8	3,850	175,000	4.5
Montréal	2005	25,317	8,544	5.5	37,951	222,915	2.0
	2006(F)	21,000	8,000	4.0	37,900	240,000	2.5
	2007(F)	19,500	7,500	5.0	38,000	252,000	3.0
Trois-Rivières	2005	919	367	na	773	112,247	1.5
	2006(F)	950	340	na	850	117,500	1.9
	2007(F)	825	310	na	750	120,000	2.3
Sherbrooke	2005	1,076	557	na	1,287	150,800	1.2
	2006(F)	1,260	480	na	1,450	163,300	1.6
	2007(F)	930	395	na	1,350	169,800	2.2
Québec	2005	5,835	2,528	4.3	7,045	151,660	1.4
	2006(F)	5,100	2,250	5.5	7,000	162,275	2.0
	2007(F)	4,400	1,950	4.0	6,900	170,400	2.5
Saguenay	2005	464	267	na	1,244	109,419	4.5
	2006(F)	485	250	na	1,150	120,000	4.8
	2007(F)	420	240	na	1,100	127,000	5.2
Saint John	2005	501	403	4.1	1,901	119,719	5.7
	2006(F)	625	400	3.5	2,000	128,000	5.5
	2007(F)	650	400	3.0	1,900	131,500	5.5
Halifax	2005	2,451	1,216	2.5	6,541	187,802	3.3
	2006(F)	2,625	1,075	4.5	6,200	203,000	3.5
	2007(F)	2,450	1,000	3.5	5,750	210,000	3.7
St. John's	2005	1,534	1,096	5.8	3,196	141,167	4.5
	2006(F)	1,325	1,025	3.2	3,350	141,600	5.0
	2007(F)	1,300	975	3.0	3,100	143,750	5.0
Charlottetown	2005	448	305	4.3	486	144,036	4.4
	2006(F)	475	250	2.5	475	150,000	4.5
	2007(F)	375	225	3.0	500	153,750	4.0
ALL METRO AREAS	2005	157,854	71,672	4.8	343,263		2.7
	2006(F)	158,663	72,590	9.8	340,157		2.7
	2007(F)	148,924	66,540	5.7	330,898		2.8

Sources: CMHC, Canadian Real Estate Association, Local real estate boards, Statistics Canada, CMHC Forecast 2006-2007

MLS® data for St. Catharines-Niagara is aggregated using total numbers of the area's three real estate boards.

*MLS® numbers reflect all of Durham Region

n.a.: data not available

Major Housing Indicators
Seasonally Adjusted Annual Rates
(levels and quarterly percent change)

	04:Q4	05:Q1	05:Q2	05:Q3	05:Q4	06:Q1	06:Q2	06:Q3
New housing								
Building permits, units, thousands	238.8	220.6	236.0	231.8	267.6	236.9	225.0	n.a.
%	-1.2	-7.6	6.9	-1.8	15.5	-11.5	-5.1	n.a.
Housing starts, total, thousands	233.1	212.3	233	227.4	224.6	248	228.9	219.6
%	-2.1	-8.9	9.8	-2.4	-1.2	10.4	-7.7	-4.1
Housing starts, singles, thousands	127.4	116.1	125	116.7	121.7	132.5	121.9	122.1
%	-5.2	-8.9	7.7	-6.6	4.3	8.9	-8.0	0.2
Housing starts, multiples, thousands	105.7	96.2	108	110.7	102.9	115.5	107	97.5
%	2.0	-9.0	12.3	2.5	-7.0	12.2	-7.4	-8.9
Housing completions, total, thousands	60,035	47,053	51,688	58,095	54,406	49,321	51,784	60,015
%	-2.6	-21.6	9.9	12.4	-6.3	-9.3	5.0	15.9
New house price index, 1997=100	125.4	126.5	128.4	130.1	132.4	135.4	140.1	n.a.
%	1.0	0.9	1.5	1.3	1.8	2.3	3.4	n.a.
Existing housing								
MLS® resales, units, thousands	453,028	454,940	488,612	500,448	488,932	500,016	486,176	472,008
%	-0.5	0.4	7.4	2.4	-2.3	2.3	-2.8	-2.9
MLS® average resale price, $C thousands	234,339	239,450	247,166	251,352	258,542	267,245	276,710	277,481
%	3.9	2.2	3.2	1.7	2.9	3.4	3.5	0.3
Mortgage market								
1-year mortgage rate, per cent*	4.90	4.88	4.83	4.97	5.55	5.90	6.37	6.47
5-year mortgage rate, per cent*	6.25	6.12	5.90	5.80	6.15	6.40	6.82	6.83
Residential investment**								
Total, $1997 millions	67,888	67,120	68,183	69,080	69,073	71,152	70,227	n.a.
%	1.9	-1.1	1.6	1.3	0.0	3.0	-1.3	n.a.
New, $1997 millions	34,192	33,207	33,073	32,964	32,886	34,209	33,489	n.a.
%	2.0	-2.9	-0.4	-0.3	-0.2	4.0	-2.1	n.a.
Alterations, $1997 millions	24,696	24,864	25,556	25,848	26,528	27,032	27,224	n.a.
%	3.5	0.7	2.8	1.1	2.6	1.9	0.7	n.a.
Transfer costs, $1997 millions	9,188	9,260	9,740	10,348	9,932	10,160	9,892	n.a.
%	-1.5	0.8	5.2	6.2	-4.0	2.3	-2.6	n.a.
Deflator, 1997=100	127.5	129.2	130.5	130.7	132.8	135.4	138.6	n.a.
%	0.7	1.3	1.0	0.2	1.6	2.0	2.4	n.a.

Sources: CMHC, Statistics Canada, Bank of Canada, Canadian Real Estate Association.
n.a. Data not available.
* All indicators are seasonally adjusted, except 1-year and 5-year mortgage rates .
** Residential Investment includes outlays for new permanent housing, conversion costs, cost of alterations and improvements, supplementary costs, and transfer costs.

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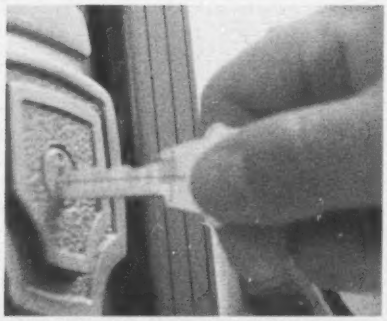

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